

Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, DC 20554

In the matter of: \_\_\_\_\_ )

Request for Review of Decisions \_\_\_\_\_ )  
of the Universal Service Administrator \_\_\_\_\_ )  
\_\_\_\_\_ )

Docket No. 02-6

Ref.:    Applicant Name:            Central Islip UFSD  
         Entity Number:            123907  
         Funding Year:              FY 2003  
         471 Application Number:    341725

*Introduction:*

Central Islip Union Free School District's FY 2003 E-rate Form 471 application was subjected to a Selective Review and was ultimately denied in its entirety for the stated reason that, "During application review, you were asked to demonstrate that when you filed your Form 471 you had secured access to the funds needed to pay your portion of the charges, and you were unable to do so." This denial was appealed to the SLD in a letter dated May 28, 2004.

In an Administrator's Decision on Appeal dated October 13, 2004, the SLD denied Central Islip's appeal in full indicating that the operating budget information submitted in response to the Selective Review request was not provided. We believe, as we attempted to explain to PIA at the time, that the form of the budget information requested was inappropriate for a publicly-funded school district and that the summary information, that was in fact provided, adequately demonstrated the district's ability to pay the non-discounted portion of its funding requests.

We further believe that the additional capital budget information provided as a part of Central Islip's appeal, and the full operating budget proffered, further demonstrated the district's financial capability.<sup>1</sup>

By this appeal, we ask the Commission to review the SLD's initial funding and appeal decisions, and to remand the application to the SLD for further review. We also propose several suggestions for the review of budget information that may better serve the SLD's purpose in determining the adequacy of a public school district's E-rate funding resources.

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<sup>1</sup> Note: Submission of capital budgeting information is permissible under SLD appeal procedures allowing appellants to provide "...documentation to correct an assumption SLD made because there was insufficient information in the application file about an issue."

*Discussion:*

The most important section of the Administrator's Decision on Appeal, dated October 13, 2004, states in large part:

- "Upon review of the appeal letter...it was determined that during the initial Selective Review, the District was requested to provide a copy of its operating budget for Funding Year 2003...showing both the revenue and expense portion of the budget, and with line items clearly marked where the District's portions of E-rate expenses were allocated. The budget submitted in response to the Selective Review request was incomplete; it only contained the expense portion, but not the revenue portion. The district was contacted on numerous occasions, specifically on January 5, January 13, and January 23, 2004, and was asked to provide a high level summary operating budget indicating with arrows on both the revenue and expense side, where the funds have been allocated for the District's share of E-rate. The response dated February 20, 2004...did not include any information regarding the District's budget."

E-Rate Central was engaged to assist Central Islip in the E-rate process in late January 2004, in part to assist the district in responding to PIA's January 23<sup>rd</sup> request. With PIA forbearance, giving us time to collect budget information, this response — which did include "information regarding the District's budget" — was made on February 20<sup>th</sup>.

The critical sequence of budget inquiries and responses was as follows:

1. The Item 25 Worksheet Summary, originally submitted as a part of the Selective Review, is shown in Attachment #1. The District's share of the Telecom and Internet Access components, plus all the additional Item 25 resource components, was to be funded from its operating budget. Funding for the extensive Internal Connections projects was to be funded from the District's capital budget through the issuance of bonds approved the previous year.
2. The budget portion of PIA's January 23<sup>rd</sup> request stated:
  - The budget you submitted was for expenses only. Please submit a high level summary operating budget for 2003-2004 showing both revenues and expenses indicating where your portion of e-rate in the amount of \$636,042.12 is coming from.
  - Place an arrow next to each fund/budget line, on BOTH the revenue and expense side of your budget, showing where you have allocated the necessary dollars for your share of E-rate. Please write the specific budget amount that will come from each fund/budget line. For example, if budget line A0002 contains \$200,000 and \$100,000 will be used to pay your share of E-rate, then please draw an arrow to it and write "E-rate, \$100,000."
3. The request to support "your portion of e-rate in the amount of \$636,042.12" was a bit confusing. This figure, that apparently did not include the Internal Connections amount to be funded from the capital budget, was also less than the District's share of the Priority 1 and Item 25 resources shown in the Attachment #1 that were to be funded from the operating budget, namely:

Telecom share	\$ 7,438.89
Internet share	29,857.05
Hardware	262,500.00
Professional development	65,625.00
Software	150,000.00
Retrofitting	60,000.00
Maintenance	175,000.00
	<u>\$ 750,420.94</u>

The budget section of the District's February 20<sup>th</sup> response included the table shown in Attachment #2. Although the format of this table was somewhat different than envisioned in the PIA request — i.e., no "arrows" — the table clearly identified "the specific budget amount that will come from each fund/budget line," by budget code. As a result of additional funding budgeted for Telecom and Internet Access, the amounts shown actually exceeded the operating budget requirements indicated in the Item 25 Worksheet Summary. As indicated below, the total was over \$200,000 more than the amount that PIA had specifically asked the District to justify.

Telecom share	\$ 59,490.00	
Internet share	65,000.00	
Hardware	262,500.00	
Professional development	65,625.00	
Software	150,000.00	(Corrected to 150,500.00)
Retrofitting	60,000.00	
Maintenance	<u>175,000.00</u>	
	\$ 837,615.00	(Corrected to 838,115.00)

One other source of confusion with the January 23<sup>rd</sup> inquiry was the reference to "revenue." From the second bullet in PIA's budget request, quoted above, it appeared that PIA was primarily concerned with the E-rate portion of related budget line items, as was provided. For public school districts, as discussed below, we believe that this is indeed the proper concern.

In Central Islip's case, the technology budget for 2003-2004, from which the E-rate expenses were to be funded, totaled over \$13 million. The associated budget code amounts and related E-rate expenses are shown in Attachment #3. Total District revenues which, in hindsight PIA was apparently interested in, were budgeted at over \$115 million. At this level, the budgeted E-rate expenses were almost immaterial and, as such, call into question PIA's attempt to determine the true validity of the Central Islip's intent and ability to support its E-rate plans.<sup>2</sup>

On the basis of the budget information provided, we believe that Central Islip demonstrated that it had secured access to the funds needed to pay its portion of the charges, both at the level of expenses set forth in the original Item 25 Worksheet Summary, as well as the lesser amount identified in PIA's January 23<sup>rd</sup> request.

#### *Selective Review Recommendation:*

We believe that the Central Islip case highlights the need for PIA to reconsider the funding information it requests and analyzes in Selective Review proceedings involving publicly funded school districts.

In a private school situation, a focus on revenues may be appropriate when a school is projecting a major increase in technology spending. To the extent such spending plans require additional budget resources, PIA should indeed question the source of the increased funding. In such cases, we recommend that PIA request historic as well as projected revenues.

For a public school district, however, the situation is quite different in two respects.

<sup>2</sup> In another Selective Review in which we participated, PIA requested that we specifically identify the revenue line item that would fund the technology components of the budget. After arguing unsuccessfully that there was no direct link between a specific revenue source and a specific technology expense, we finally gave up and said, "property taxes." Privately admitting that the question was meaningless, but insisting that the SLD required an answer, the PIA representative said "fine." And so we learn.

1. Once a school district budget has been finalized and approved by the community (at least in New York), property tax rates are set to collect the revenues (over and above state aid or other sources) necessary to meet the budgeted expenses. For administrative purposes throughout the year, the major line items of the budget effectively become the funding sources for actual expenditures. Generally, percentage changes in budget line item and total expenses are carefully managed.
2. When funding is required for new building construction or other large initiatives (including major technology programs), capital programs are developed, approved by a separate vote, and funded through the issuance of long-term bonds.

In a public school environment, therefore, we recommend that PIA request budgetary expense data, not only for the funding year, but for one or two of the preceding years so as to be able to analyze year-to-year trends. Since different components of E-rate related expenses are typically found in multiple budget codes, PIA may want to request budget data in a format similar to that shown in Attachment #3. In the case of Selective Reviews, which are often triggered by large Internal Connections requests, public school districts should be asked to provide data, if appropriate, for both their operating and capital budgets.

*Summary:*

By this appeal, we ask the Commission to review the Administrator's decision on the referenced Central Islip application (and appeal), and to remand the application to the SLD for further consideration of the District's ability to have met its share of the funding implicit in its FY 2003 application. More broadly, we encourage the Commission to instruct the SLD to reevaluate its procedures for determining that an applicant has secured access to the funds needed to pay its portion of the E-rate charges and supporting resources.

Respectfully submitted,

By: 

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of Central Islip UFSD  
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Dated: November 14, 2004

Attachments: #1 – Item 25 Worksheet Summary  
#2 – Item 25 Analysis provide to PIA  
#3 – E-Rate Budget Analysis in recommended form

Item 25 Worksheet Summary Please Add Subtotals of Sections I through VI		Funding Year 2002 (07/01/02–06/30/03)	Funding Year 2003 (07/01/03–06/30/04)
<b>Section I: Connectivity</b>			
I-A. Commitment Amount Requested			
• Telecom	1	\$27,984.39	
• Internet Access	2	\$112,319.39	
• Internal Connections	3	\$2,695,787.15	
<b>Total of Funding Requests (I-A)</b>	<b>4</b>	<b>\$2,836,090.93</b>	
I-B. Form 471 Applicant's Share			
• Telecom	5	\$7,438.89	
• Internet Access	6	\$29,857.05	
• Internal Connections	7	\$435,538.40	
<b>Total of Applicant Share (I-B)</b>	<b>8</b>	<b>\$472,834.34</b>	
I-C. Amounts not covered by E-Rate			
• Telecom	9	0	
• Internet Access	10	0	
• Internal Connections	11	0	
<b>Total of Amounts Not Covered (I-C)</b>	<b>12</b>	<b>0</b>	
<b>Total Connectivity (I-A + I-B + I-C) \$</b>			
<b>Section II: Hardware</b>			
II-A. Number of Computers Connected	13a. #1450	13 b. #1800	
II-B. Applicant Expenditure	14a. \$191,000	14 b. \$262,500	
II-C. Contribution / In-Kind Donations	15a. \$0	15 b. \$0	
<b>Total Hardware (II-B + II-C)</b>	<b>16a. \$191,000</b>	<b>16 b. \$262,500</b>	
<b>Section III: Professional Development</b>			
III-A. Staff Training Hours (Total 100%):			
0-5 Hrs. 0 %	5-15 Hrs. 0 %	15-25 Hrs. 20 %	25-50 Hrs. 40 %
50+ Hrs. 40 %			
III-B. Applicant Expenditure	18a. \$50,000	18b. \$65,625	
III-C. Contribution / In-Kind Donations	19a. \$0	19b. \$0	
<b>Total Professional Development (III-B + III-C)</b>	<b>20a. \$50,000</b>	<b>20b. \$65,625</b>	
<b>Section IV: Software</b>			
IV-A. Applicant Expenditure	21a. \$100,000	21b. \$150,000	
IV-B. Contribution / In-Kind Donations	22a. \$0	22b. \$0	
<b>Total Software (IV-A + IV-B)</b>	<b>23a. \$</b>	<b>23b. \$</b>	
<b>Section V: Retrofitting</b>			
V-A. Applicant Expenditure	24a. \$45,000	24b. \$60,000	
V-B. Contribution / In-Kind Donations	25a. \$0	25b. \$0	
<b>Total Retrofitting (V-A + V-B)</b>	<b>26a. \$45,000</b>	<b>26b. \$60,000</b>	
<b>Section VI: Maintenance</b>			
VI-A. Applicant Expenditure	27a. \$125,000	27b. \$175,000	
VI-B. Contribution / In-Kind Donations	28a. \$0	28b. \$0	
<b>Total Maintenance (VI-A + VI-B)</b>	<b>29a. \$125,000</b>	<b>29b. \$175,000</b>	

## ITEM 25 ANALYSIS

Telecom 03/04  
Budget 59,490 1620-478

Internet Access 03/04  
Budget 65,000 1680-490

Revenue \$1.6 Million

Hardware  
Section II  
No. Comp 13a 02/03 1,450 03/04 1,800  
E-RATE \$'s 14a 180,000 262,500 2630-220=216500,1680-201=10000,2110-501=36000  
Contributions 15a -  
Total 16a 180,000 262,500

Proff Develop  
Section III  
E-RATE \$'s 18a 50,000 65,625 1680-490=35000,2252-490=10000,2110-475=5000,1680-400=15625  
Contributions 19a -  
Total 20a 50,000 65,625

Software  
Section IV  
E-RATE \$'s 21a 100,000 150,000 2630-460=127500,2630-501=23000  
Contributions 22a -  
Total 23a 100,000 150,000

Correction: 150,500

Retrofitting  
Section V  
E-RATE \$'s 24a 45,000 60,000 1621-163=50000,1621-544=10000  
Contributions 25a -  
Total 26a 45,000 60,000

Maintenance  
Section VI  
E-RATE \$'s 27a 125,000 175,000 1680-490=96000,1680-162=79000  
Contributions 28a -  
Total 29a 125,000 175,000

Correction: 713,625

Grand Total 30a 500,000 713,125

## E-Rate Budget Analysis

Description	Budget Code	Total Budget	Appropriated for E-Rate	Telecom	Internal Hardware	Profr/Develop	Software	Ref/Printing	Maintenance
Telephone	1620-478	59,490	59,490	59,490					
Op Plant Boces	1620-490	128,750	-						
State Hardware	2630-220	210,275	216,500		216,500				
Data Proc Repla Equip	1680-201	10,000	10,000		10,000				
Data Proc Supplies	1680-501	6,300	-						
Teaching Supplies	2110-501	125,000	36,000		36,000				
Data Proc Boces	1680-490	449,822	196,000	65,000		35,000			96,000
Spec Ed Boces	2252-490	10,593,216	10,000			10,000			
Teaching Conf	2110-475	35,000	5,000			5,000			
Data Proc Contractual	1680-400	27,000	15,625			15,625			
State Software	2630-460	86,814	127,500				127,500		
Computer Instruct Supp	2630-501	59,397	23,000				23,000		
Maintenance Salaries	1621-163	1,030,296	50,000					50,000	
Maintenance Electrical	1621-544	53,050	10,000					10,000	
Data Process Salaries	1680-162	174,531	79,000						79,000
		13,048,941	838,115	59,490	65,000	262,500	65,625	150,500	60,000
									175,000